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ABSTRACT

A study was conducted to assess the implications of the Age Discrimination in Employment Act (ADEA) amendments of 1978 that raises the mandatory retirement age for faculty. Tenured employees of colleges and universities may be retired between the ages of 65 and 70 until July 1, 1982, at which time the age 70 minimum retirement goes into effect. The purposes of the study are to generate a data base for assessing the effect of the ADEA amendments on higher education nationally and to determine what answers the data, in conjuction with findings from other recent studies, can provide to some of the more critical questions. Questionnaires were mailed to higher education institutions to obtain statistical breakdowns by age for both tenured and nontenured faculty members and to supply age-specific data on the number of vacancies created by faculty members during the current academic year (1977-78) and the three preceding years. Information was also requested on policies related to retirement, tenure, and the institution's provision of retirement benefits for faculty members. (SW)

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FINANCE AND EMPLOYMENT IMPLICATIONS OF RAISING THE MANDATORY RETIREMENT AGE FOR FACULTY

Thomas M. Corwin

Paula R. Knepper

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PREFACE

Since being introduced in the first session of the 95th Congress, the Age Discrimination in Employment Act amendments of 1978 have been a major concern to administrators, faculty members, and students in higher education. The substance of these amendments is relatively simple and clear: Mandatory retirement before age 70 is prohibited. But their implications for faculty employment and for institutional finances are far from simple, and the measures that institutions can take to ameliorate some of their potentially bad effects are anything but clear. In fact, by the time the new legislation has been absorbed by the higher education system, significant adjustments will probably take place in some of the most central components of that system: tenure, other contract provisions, performance appraisal, retirement benefit programs, work schedules, and the maintenance of vitality in the scholarly disciplines.

When the ADEA amendments were passed, few people could predict the effect of including colleges and universities within their purview. For this reason, the Policy Analysis Service was asked to analyze the implications of this legislation for higher education, particularly those implications related to the age of the professoriate, the number of new faculty members to be hired in the coming years, and the cost to academic institutions of maintaining an older faculty. This report is the product of that analysis.

As is usual in the work of the Policy Analysis Service, this project was a group effort. Therefore the authors would like to thank the other staff members who participated: Laura Kent for her editing, Beverly Washington for her typing, and Alphonso Pegram, Janet C. Plummer, Cathy Slesinger, and especially Anne C. Coldren for their processing of the data and preparation of the charts and tables. An earlier version of this report was reviewed by Margaret S. Gordon of the Carnegie Council on Policy Studies in Higher Education, Carl V. Patton of the University of Illinois at Urbana - Champaign, and Lauren Selden of the National

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CHAPTER 1

THE ADEA AMENDMENTS OF 1978: A CHALLENGE FOR HIGHER EDUCATION

In recent months, age discrimination in employment has become a widely and hotly discussed issue in higher education circles. Primary interest has centered on the rights of college and university employees, including tenured and nontenured faculty members, at a time when the concept of mandatory retirement at age 65 is being jettisoned. Secondary questions--such as how new legislation will affect existing institutional policies and practices and whether it poses a threat to institutional vitality--have also surfaced.

The source of this new interest in age discrimination and retirement is the Age Discrimination in Employment Act (ADEA) amendments of 1978, signed into law by President Carter on April 6. While many details of the amendments will remain unclear until federal regulations are issued, the basic thrust is as follows: Beginning January 1, 1979, the current ban on mandatory retirement will be extended from age 65 to age 70 and will cover all workers except certain business executives and "high policy-making officials." Higher education has been granted a moratorium in that tenured employees of colleges and universities may be retired between the ages of 65 and 70 until July 1, 1982, at which time the age 70 minimum for mandatory retirement goes into effect for them. All other protections under the ADEA amendments will be extended to all faculty members as of January 1, 1979. At any time that these amendments conflict with a similar state law, the more stringent standard (that is, the standard which provides the greater protection to the worker) will apply.[1]

This three-and-a-half year moratorium was intended to give colleges and universities a period in which to plan for the change. But early reaction to passage of the amendments has been marked by considerable uncertainty over how the intervening time should be used: What planning should be done, what policies should be revised? Obviously, higher education institutions need guidance in focusing on the right issues and making the appropriate adjustments. This report represents an effort to

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1. For a more detailed explanation of the new law, see Appendix A.

give such guidance as well as to assess from a national perspective the impact of the amendments on colleges and universities.

Steps in Analysis

The process of analyzing the impact of the new law requires several steps. The first is to achieve some understanding of the policies and practices in place at colleges and universities prior to enactment of the ADEA amendments. Without such an understanding, it would be very difficult to guide institutions in adjusting their policies. For instance, if only a few institutions now require faculty members to retire before reaching age 70, then institutional policies on mandatory retirement will not need extensive alteration. By the same token, if only a few faculty members are now covered by provisions which require that they retire before 70, then the new law will have a much smaller impact on the academic labor market than many people fear. Thus, the full range of tenure systems, retirement plans, and options for early and delayed retirement must be taken into consideration.

The second step, after looking at the existing institutional policy environment, is to consider what changes may occur, independent of any institutional response, after the new amendments go into effect. Most important, how will faculty members respond to the opportunity to continue working until age 70? Unlike the components of the existing environment, these potential changes in behavior are difficult to estimate. One approach is simply to ask a representative sample of faculty members what they will do. Another is to examine the retirement patterns of those faculty members who already are permitted to work until age 70, although the validity of this approach may be limited if the professors in this group are for some reason different from those at other colleges and universities. But even granting the problems inherent in any prediction of change in faculty retirement patterns, some sort of "ballpark" estimate is almost certainly prerequisite to planning institutional responses.

The next step, after estimating changes in faculty retirement patterns, is to determine the implications of such changes for institutions.

Implications of the Amendments

Several areas must be considered, the first involving institutional finances. Because senior members of the faculty receive higher salaries than the younger scholars who replace them when they retire, colleges and universities will have a higher wage bill if the new law results in an older and more senior faculty. In addition, premiums for life insurance, long-term disability compensation, and major medical care may rise if coverage is maintained at full benefit levels for older workers. The same consideration applies to pension and Social Security contributions for over-65 faculty.[2] Thus, the very basic question of how much it will cost institutions to have more faculty members working beyond age 65 subsumes several more specific questions, most of which cannot be answered until the existing data base is improved.

Further, the cost to institutions is likely to be more than financial: The continued employment of even a small number of older faculty members also has implications for that elusive quality known as "institutional vitality." As is well known, the traditional college-age population will shrink over the next two decades, with a consequent stabilization (or even decline) in both enrollments and programs at the postsecondary level. These trends, in conjunction with the younger age of most current faculty members, mean that jobs in academe will be few and far between and that the average age of the faculty will steadily rise. Exactly how this "graying" of the campus will affect the learning and scholarly environment is open to question. On the one hand, some evidence suggests that faculty productivity (as measured by the publication of books and articles, the production of research, teaching effectiveness, and participation in community and college affairs) is unrelated

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2. Because of changes in the FICA wage base mandated by Congress in 1977, the employer's Social Security contributions (figured as a percentage of salary up to a certain salary level) will be much higher in the coming years for older, more highly paid faculty members than for their junior colleagues.

to age.[3] On the other hand, most people would agree that it is healthy for an institution to hire young scholars and to give them a chance to teach, to enter the tenure track, and to contribute to the advancement of their disciplines and to the life of the campus. Stated differently, a certain amount of faculty turnover simply seems like a good idea. With the prohibition on mandatory retirement, however, not only might academic institutions be denied necessary infusions of "fresh blood" but also an already strained employment situation could be further tightened.

Finally, the ADEA amendments have implications for the related area of affirmative action. Under governmental and social pressures, colleges have been making special efforts to hire minorities and women, groups traditionally underrepresented in academe; but with few faculty positions opening up, progress toward affirmative action goals has been slow. Administrators have begun to worry that the new age discrimination legislation will further impede progress.

Thus the impact of new mandatory retirement policies must be considered from two equally important perspectives: that of the institution, seeking to maintain "vitality" at a time of stability or retrenchment, and that of the prospective faculty member, seeking to enter academic employment during the next decade. In the market for college professors, any significant reduction in demand may have unwelcome consequences for both the sellers and the buyers. Therefore, the new ADEA amendments must be assessed in terms of their effect on that demand.

The purposes of the current study are, first, to generate a data base for assessing the effect of the ADEA amendments on higher education nationally, and second, to determine what answers the data--in conjunction with findings from other recent studies--can provide to some of the more critical questions. Chapter 2 presents the data collected through a survey of colleges and universities. In Chapter 3, these and other data are used in a discussion of the implications of the new legislation.

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3. Alan E. Bayer and Jeffrey E. Dutton, "Career Age and Research-Professional Activities of Academic Scientists," Journal of Higher Education, May/June 1977, pp. 259-82; Oliver Fulton and Martin Trow, "Research Activity in American Higher Education," in Teachers and Students: Aspects of American Higher Education, A Volume of Essays Sponsored by the Carnegie Commission on Higher Education, ed. Martin Trow (New York: McGraw-Hill Book Co., 1975), pp. 58-66.

CHAPTER 2

A DATA BASE FOR INSTITUTIONAL PLANNING

During congressional debate over the Age Discrimination in Employment Act amendments, policy-makers were hampered in deciding how higher education faculty, tenured and nontenured, should be treated under this legislation by a lack of information about what its effects would be on these faculty members and their institutions. A major purpose of the ACE study reported here was to generate institution-specific data which, when combined with the faculty-specific data emerging from other research, give a clearer picture of the probable impact of the new amendments. This picture is intended to guide colleges and universities in responding to that legislation.

The ACE Survey

Data for this study were derived from institutional responses to a mailed questionnaire (see Appendix B) designed to elicit heretofore unavailable information on policies and experiences in areas which would be affected by changes in age discrimination legislation. An effort was made to collect discrete information on tenured professors since they were treated as a separate group by the Congress. Institutions were asked to provide statistical breakdowns by age for both tenured and nontenured faculty members and, in addition, to supply age-specific data on the number of vacancies created by faculty members during the current academic year (1977-78) and the three preceding years. Information was also requested on policies related to retirement (including mandatory age, extension beyond that age, and early retirement), tenure, and the institution's provision of retirement benefits for faculty members.

The survey sample was selected as follows. First, to allow for possible systematic differences in the employment patterns, tenure policies, and benefit programs of different types of higher education institutions, the population was stratified by level (two-year college, four-year college, university) and by control (public, private), thus producing six stratification cells.[1] Next, as a way of controlling for the independent effect

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1. Public two-year college, private two-year college, public four-year college, private four-year college, public university, private university.

of institutional size, the institutions within each stratification cell were rank-ordered by full-time-equivalent (FTE) enrollment. The sample was then constructed by selecting every Nth institution, with the choice of N depending on the size of the stratification cell. The cells were sampled unequally in order to increase the confidence that could be placed in survey returns from each type of institution as well as in the representativeness of the sample as a whole. A sampling fraction of one-fifth was used for public and private universities, three-twentieths for private two-year colleges, and one-tenth for other categories of institutions. This procedure resulted in a sample of 352 institutions.

Usable questionnaires were received from 169 institutions, or 48 percent of the sample (Table 1).[2] At least half of each group returned the questionnaire, except for public two-year colleges, which had a response rate of 35 percent. The response rate for universities was over 60 percent.

When the responding and nonresponding institutions in each category were tested for differences in enrollment size, no significant differences were found.[3] This indicates that the responses were sufficiently representative of the total population to permit futher analysis of the total population and of the individual stratification cells, although somewhat less confidence should be placed in the results for public two-year colleges.

Institutions with Tenure Systems

Up to this point, little has been known about the propensity of colleges and universities to grant tenure. During the three-and-a-half-year extension period, institutions with tenured faculty members will have a different legal status from other institutions. For many years to come, the same institutions will face the most difficult challenges in areas such as review of teaching performance and design of incentives to

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2. In mailing questionnaires to the institutions, the following system was used: If the institution had a Director of Personnel, he or she was the recipient of the questionnaire. If there was no Personnel Director, then the questionnaire was sent to the Business Manager. If (as was the case at a few small institutions) neither a Personnel Director nor a Business Manager was employed, then the questionnaire was sent directly to the President. At the institutions, the person who received the questionnaire was not always the person who filled it out; in many cases, the form was completed by an Academic Dean, Director of Institutional Research, or another member of the staff.

3. This finding holds at the 95 percent level of confidence.

early retirement. Therefore, in considering the impact of the new ADEA amendments, it is important to determine just what proportion of the nation's institutions have tenure systems.

Data from the ACE survey indicate that most colleges and universities continue to maintain tenure systems, but that this tendency is not equally prevalent among all types of institutions (Table 2). Overall, 70 percent of the surveyed institutions had tenured faculty; those which did not were most likely to be two-year colleges, although about one in three private four-year colleges lacked tenure systems. Of the "nontenure" private institutions, 57 percent of the four-year colleges and about half of the two-year colleges were church related. While nontenure institutions made up a substantial minority of the sample, their number seems less impressive when one considers the proportion of full-time faculty involved: Only about 5 percent of full-time faculty members at all responding institutions were employed by institutions which did not have tenure.

The threat or actuality of financial difficulty may cause some colleges to begin phasing out tenure; that is, to retain it for their already-tenured faculty members but to cease making further awards of tenure to other faculty members. Of the responding institutions with tenure systems, about 8 percent reported that they have adopted such a policy.

Faculty Members with Tenure

Earlier studies indicate that over half of all full-time college faculty members in the United States have tenure.[4] Returns from the current questionnaire support this finding: Within the total sample of responding institutions, 53 percent of all full-time faculty members had tenure. Considering only those institutions with tenure systems, the figure is slightly higher: 56 percent of all full-time faculty members employed by such institutions were tenured (Table 3).

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4. Elaine H. El-Khawas and W. Todd Furniss, Faculty Tenure and Contract Systems: 1972 and 1974, Higher Education Panel Report No. 22 (Washington: American Council on Education, December 1974), p. 5; Alan E. Bayer, Teaching Faculty in Academe: 1972-73, American Council on Education Research Reports, Vol. 8, No. 2, 1973, p. 17.

One finds considerable variation among individual institutions in the proportion of tenured full-time faculty members, from 9 percent to 94 percent, for a mean of 55 percent (Table 4). The mean proportion of tenured full-time faculty members also varied somewhat by institutional type, from 50 percent at private four-year colleges to 63 percent at public two-year colleges.

The "tenuring-in" phenomenon has been widely and anxiously discussed in academic circles. But exactly how prevalent is it? Data from the ACE survey show that, at about 8 percent of all institutions with tenure systems, more than 80 percent of full-time faculty members had tenure. This group was made up chiefly of public colleges (two-year and four-year), as well as a few private church-related institutions. Almost half of these institutions had a higher-than-average proportion of older faculty. (See the section below on age distribution of faculty.)

As was mentioned in the preceding section, two-year colleges and (to a smaller degree) private four-year colleges were more likely than were the other institutional types not to have tenure systems. It is clear, however, that when these institutions did have tenure systems, they were no less likely and may have been slightly more so than were universities or public four-year colleges to grant tenure to their faculty members. This is true whether we look at (1) proportion of all full-time faculty with tenure at all institutions with tenure systems (see Table 3) or at (2) mean proportion of tenured full-time faculty members at individual institutions with tenure systems (see Table 4).

Institutional Retirement Policies

Before the effects of the new legislation can be adequately assessed, some understanding of the retirement policies currently in effect at colleges and universities is necessary. The ACE survey sought to collect information about these policies.

The first question in this area asked about the institution's mandatory retirement age: that is, the age beyond which a faculty member cannot continue employment unless the institution grants a special extension. Responses indicated that a majority of all institutions (65 percent, employing 62 percent of all full-time faculty) still had a mandatory retirement age of 65. The next largest group of institutions (15 percent, with

25 percent of all full-time faculty members) mandated retirement at age 70. A smaller group (11 percent, with 10 percent of all full-time faculty members) set retirement at some point between ages 65 and 69. The remaining schools (9 percent, with 3 percent of all full-time faculty members) had no mandatory retirement policy.

It is common for institutions with a mandatory retirement age to grant special extensions so that faculty members who so desire can continue working beyond that age, usually until they reach a final or "compulsory" retirement age. Among institutions where the mandatory retirement age was less than 70, almost 95 percent had such a policy. Most of them (57 percent) granted extensions to age 70, though about one in three set no compulsory age beyond which extensions were prohibited. Institutions with a mandatory retirement age of 70 tended not to permit extensions, but again there were exceptions: 14 percent allowed extensions of one additional year, and 29 percent allowed them without limit.

Almost all (98 percent) of the institutions that permitted extensions granted them on a year-to-year basis. They were seldom bestowed automatically; rather, they were granted at the request of the faculty member and on the basis of such factors as the institution's need and the faculty member's state of health or quality of work. Responding institutions were most likely to report that extended employment could be on either a full- or a part-time basis, though a minority said that extensions must be full-time (15 percent) or part-time (14 percent).

Institutional Retirement Benefits Programs

Another section of the ACE questionnaire was devoted to items about the institution's retirement plans for faculty: the number and type of such plans offered or required, the size of pension contributions made by the institution, and the ages at which faculty members become eligible to receive different levels of benefits.[5]

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5. Similar information, on an institution-by-institution basis, is given in TIAA-CREF College and University Retirement Plan Provisions, 1977 and in Thomas J. Cook's Public Employee Retirement Systems: Summaries of Public Retirement Plans Covering Colleges and Universities, 1976. Both are publications of the Educational Research Division of TIAA-CREF in New York.

Some information on the number and type of benefit plans offered was provided by 116 institutions. Table 5 presents a breakdown of these institutions by type of plan offered. In the survey, four types of retirement programs were identified:

1. Social Security: Although colleges have the option of not participating in Social Security, most responding institutions (84 percent) were in the system. All but one of them also made at least one other type of plan available to faculty, thereby providing additional benefits to make retirement more affordable. In all, some 86 percent of tenured faculty members were covered by Social Security.

Of the responding private institutions, only 11 percent did not participate in the Social Security system. The proportion of nonparticipants among responding public institutions was twice as large (22 percent); community colleges were most likely not to be participants in the system (29 percent), although the validity of this finding may be questioned in view of the low response rate of such institutions.

2. Teachers Insurance and Annuity Association--College Retirement Equities Fund (TIAA-CREF) is a program designed specifically for faculty members and other employees of educational institutions. Of the 116 institutions responding to the retirement items, 79, or 68 percent, participated in TIAA-CREF: 49 percent of the public institutions and 85 percent of the private institutions. Private institutions commonly used TIAA-CREF as a supplement to Social Security and, in some cases, offered an additional private program as well. When TIAA-CREF was offered at public institutions, it was generally available in addition to Social Security and a public plan. (In most cases, the faculty member had the option of selecting either TIAA or the public plan.) Eight institutions in the sample offered TIAA but not Social Security; at five of these schools, TIAA was the only option.

Two in five tenured faculty members at responding institutions (including over half of those who participated in Social Security) were covered by TIAA-CREF.

3. Public retirement programs, generally state teachers and public retirement plans, were in effect at 49 of the 116 responding institutions (42 percent). By definition, all of these schools were in the public sector. Some 46 percent of all tenured faculty members were covered by such programs.

A small minority (16 percent) of the institutions with public retirement programs made no other program available to faculty members. At many institutions (41 percent), employees were covered by Social Security as well; at the remainder (43 percent), they had the additional option of participating in TIAA-CREF or in some other private retirement program. Universities and four-year colleges were more likely than two-year colleges to offer faculty members the additional option of a private retirement plan. Further, at four four-year colleges and two universities among responding public institutions, TIAA, but not a public plan, was available.

4. Other private plans--that is, private plans other than TIAA-CREF--were available at 25 institutions (about 22 percent of the respondents). Eighteen of these schools were in the private sector, and seven were in the public sector. Most of the private colleges in this group participated in retirement plans established by religious denominations and orders. The other private colleges and all the public colleges in this group offered faculty members the opportunity to participate in benefit plans set up by private insurance companies. In all, about 7 percent of tenured faculty members participated in some kind of "other private" program.

Of the 18 private colleges with other private plans, 44 percent offered them as a substitute to Social Security or as the only retirement plan available. The remainder provided these plans as alternatives to TIAA. Of the seven public institutions with other private plans, six made them available as alternatives to public programs; at the other, the choice was between the other private plan and TIAA. At three of the public institutions, faculty choices included a public program or programs, TIAA, and at least one private program.

The percentage of the individual's annual contribution paid by the institution to the different benefit programs varied, except in the case of Social Security, for which employee and employer contributions are defined in law. Table 6 shows the distribution of the responding institutions according to the proportion of the individual's retirement premium contributed by the institution to TIAA and the public retirement programs. Under TIAA-CREF, a majority of institutions contributed between 50 and 60 percent of the premimum, though a few paid the entire amount. Institutional contributions under public plans were more widely distributed; the modal contribution was 50 percent, but most schools paid more than that. The entire premimum was paid by 15 percent of the institutions with public plans.

Incentive Early Retirement Policies

Another area of inquiry in the ACE survey involved inducements to early retirement. The term incentive early retirement covers a variety of programs under which the institution offers faculty members some kind of special benefit in the hope of inducing them to retire before reaching the mandatory age. These special benefits are usually intended to compensate for the reduction in benefits which the individual would normally suffer by retiring early. For instance, people who retire early ordinarily receive a smaller annual benefit payment from a retirement plan than would otherwise be the case because they can be expected to collect benefits over a longer period of time and, in some instances, because they may have paid the premiums for less than the normal number of years. In addition to monetary inducements to early retirement, institutions may also offer such incentives as opportunity for part-time employment and continued fringe benefits like office space, parking, and tickets to sports events. At some institutions, these incentives are selectively made available to individual faculty members; at others, they are available to all professors who reach a given age.

Incentive early retirement gained popularity during the early 1970s as a means of opening up teaching positions in departments which were filled with older faculty members. More recently, the high cost of most such programs seems to have outweighed their value to the institution.

Moreover, in light of the ADEA amendments, a question arises as to whether it is still permissible to offer retirement incentives selectively to individual faculty members or whether all employees in a given category must be considered eligible to receive the same benefits. A recent report prepared for the National Science Foundation describes incentive retirement plans developed by academic institutions and analyzes the costs and benefits of these plans.[6]

Nineteen institutions in the sample (about 16 percent of those who responded to this question) reported that they offered some kind of inducement to early retirement, and thirteen of these respondents also gave a brief description of any plan in effect. The number of schools offering each type of retirement inducement is as follows: payment of full retirement annuity (6), continued health care benefits (2), part-time employment (4), supplemental annuity (3), continued pension payments (1), lump sum severance payment (1), continued eligibility of retirees and their spouses and children for tuition waivers (1).[7]

In Table 7, the nineteen institutions having some kind of incentive early retirement policy are broken down according to mandatory and compulsory retirement ages. One might expect that institutions with later retirement ages would be more likely to offer early retirement incentives, in the hope that such incentives would compensate somewhat for the effect of the later age on faculty retirement patterns. The limited data available suggest that this is not the case. Institutions with incentive programs were as least as likely as other institutions to conform to the modal pattern of setting mandatory retirement at age 65 and compulsory retirement at age 70.

Age Distribution of Faculty

In discussions of the ADEA amendments, the present age distribution of faculty members is a major issue. Two somewhat conflicting themes prevail. The first is that, because there are now a large number of aged

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6. Carl Vernon Patton, Academia in Transition: Mid-Career Change or Early Retirement (Cambridge, Mass.: Abt Books, 1978).

7. Because some institutions offer more than one type of inducement, the total number is more than thirteen.

faculty members who will choose to remain in their jobs until age 70 and beyond, the change in the law will have an immediate effect on academic institutions. The second is that, because most professors--tenured as well as nontenured--are fairly young, the impact of raising the mandatory retirement age to 70 will not be felt for a few years. Data from the ACE survey on the current age distribution of faculty members tend to support the second theme.

While survey responses on the ages of part-time faculty members were incomplete, most responding institutions were able to provide age breakdowns for their tenured and nontenured full-time faculty (Figures 1-3). The principal finding is that the great majority (73 percent) of full-time faculty members were still under 50 years of age. The median age was 42, and only about 8 percent were over age 60. Thus, the proportion of full-time faculty members in the oldest age categories was similar to the proportion for all workers in the economy.[8] The great mass of faculty members belonged to the 30-44 age range and thus would not reach normal retirement age for from 20 to 35 years. Their presence in the system is a major reason why faculty openings will be scarce during the coming decades.

As one might expect, full-time tenured faculty members tended to be older (median age of 47) than their nontenured counterparts (median age of 36). But even among tenured professors, only about 11 percent were over age 60. The age distribution of faculty members at institutions with tenure systems differed little from that at institutions that did not offer tenure.

One can speculate that, though relatively few full-time faculty members nationally were very old, some individual institutions may have a disproportionate number of over-60 professors and thus may be especially hard-hit by the new legislation. At about 11 percent of the responding

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8. Department of Labor data indicate that the distribution of the total labor force by age is as follows: ages 16-24, 24.8 percent; ages 25-34, 24.2 percent; ages 35-44, 18.0 percent, ages 45-54, 18.1 percent; ages 55 and over, 14.9 percent. See: Social Indicators, 1976 (Washington: Department of Commerce, 1977). Comparable ACE figures for full-time faculty in the high and low age categories show 15.7 percent in the age-55-and-over group and only 24.6 percent under age 35.

institutions, more than 16 percent of full-time faculty members (or about twice the proportion in the full-time faculty population as a whole) were over age 60. All the institutions in this group were private, two-thirds were four-year colleges, and two-thirds were church related.

A similar group can be constructed of institutions with an unusually high proportion of tenured faculty. At almost 9 percent of the institutions, more than 22 percent of tenured faculty members were over age 60. (About 40 percent of these institutions also belonged to the previous group.) It is questionable, however, whether even the faculties in these two groups of institutions should be considered "aged." At most of the institutions in both groups, the great majority of professors were still well short of the normal age of retirement. It can be argued that these colleges and universities which have a higher average faculty age face the most immediate problems in interpreting and responding to the new ADEA amendments. On the other hand, one might also argue that these institutions will have a greater opportunity than others to enforce existing mandatory retirement provisions before the end of the extension period in 1982 and that even after 1982 they will probably experience greater faculty turnover than will institutions where the faculty age is younger.

Faculty Vacancies

Finally, survey respondents were asked to report on faculty vacancies during the three most recent academic years and on expected vancancies during 1977-1978, by age. This information was intended to serve as a basis for determining how a change in the mandatory retirement law would affect faculty vacancy patterns.

Responses to this section of the questionnaire were often less complete than was generally the case for the other items. Of the 119 institutions which had tenure systems (and which, as mentioned above, employed 95 percent of all full-time faculty members), 79 were able to provide complete, age-specific data for all four years requested. Of the remaining 40 institutions, half were able to give a partial response to this question, most of them reporting complete data for only certain years. The other institutions in this group could provide data only on vacancies resulting from retirement or only non-age-specific vacancy figures or had information on departures of tenured faculty members but not of nontenured faculty members. Those institutions lacking complete faculty data tended to be among the largest in the sample.

Despite the prevalence of incomplete responses to this question, the available data on faculty vacancies were sufficient to permit a number of inferences. The information in this section is derived from the responses of those institutions which provided complete faculty vacancy data and, where possible, of those institutions which provided only partial data. Because more institutions reported usable data for the 1976-77 academic year than for any other year requested, the discussion that follows is based chiefly on aggregate figures for that year.[9]

Responding institutions reported a total of 1,541 faculty vacancies during 1976-77, a figure roughly equal to 7.7 percent of the total number of full-time faculty members employed at those institutions. For tenured faculty, the vacancy rate was much lower: The number of reported vacancies caused by the departure of tenured faculty was equal to about 4.2 percent of total full-time tenured faculty.

While institutions were not asked to differentiate vacancies caused by retirement from those attributable to resignation, termination of a contract, death and disability, or other causes, some idea of the relative importance of these factors emerges if we assume that all faculty members who left the institution at age 55 or over were leaving in order to retire from full-time teaching.[10] The remaining vacancies are assumed to be accounted for mainly by interinstitutional migration of faculty; a smaller proportion can be accounted for by promotion to administration, death, disability, or change to another kind of work. Viewed from this perspective, a marked difference between tenured and nontenured faculty vacancies is evident: Some 55 percent of tenured faculty vacancies are assumed to be due to retirement; the corresponding figure for nontenured vacancies is 6 percent.[11] Stated somewhat differently,

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9. Of those institutions which provided usable data on vacancies, only one could not supply information for 1976-77. The explanation for the higher response rate for that year may be that firm 1977-78 figures were not yet available when the questionnaires were filled out and that institutions do not have readily accessible data on vacancies in earlier years.

10. Choice of age 55 rather than a higher age results in a higher rate of retirement than is reported in other studies (such as Cartter, 1976). If age 60 or 65 is used, then the data yield a much lower rate.

11. For all full-time faculty taken together, retirements accounted for some 21 percent of all vacancies.

the largest group of departures by tenured faculty came from the 64-65 age group, and this held true in all four academic years under consideration. Among nontenured faculty, the largest number of separations occurred in the 30-34 age range. In fact, very few nontenured faculty members seem to have retired during the years under study. For 1976-77, their "retirement rate" (number of over-55 vacancies divided by total number of full-time faculty) was only .5 percent, compared with 2 percent for tenured faculty. Thus, the limited data available imply clearly that tenured faculty members tend to leave their institutions at a much later age than do nontenured faculty members. In future years, as tenured faculty members continue to occupy a large proportion of the total teaching positions in higher education, and as their median age rises, this tendency of tenured faculty members to remain at their institutions until reaching retirement age may have serious implications for many institutions.

CHAPTER 3

IMPLICATIONS FOR INSTITUTIONS AND PH.D.-RECIPIENTS

What do the data from the ACE Survey of Retirement and Tenure Policies, in combination with information from other sources, portend about the effects of the ADEA amendments on higher education? In answering this question, we confine ourselves to what appear to be the most pressing retirement-related issues facing American colleges: first, the effect of the amendments on the age distribution of college faculties during the next ten or fifteen years; second, the expense that academic institutions will incur as a result of any change in that distribution; and third, the impact of the amendments on the employment of new doctorate-holders. Other issues connected with the new legislation--from pressures to alter or eliminate existing tenure systems to the possible need for more widespread early retirement inducements--may turn out to be equally important. For the present, however, we leave it to other planners and researchers to draw out such implications.

In this chapter, the impact of the ADEA amendments is considered first from the perspective of the academic institution and then from the perspective of the Ph.D.-recipient seeking academic employment. The methods used to generate projections of employment and costs from existing data are also described.

The Institutional Perspective

Many college administrators fear that the ADEA amendments will be a signal to older faculty members to delay retirement and will thus precipitate a number of adverse consequences: an older professoriate, fewer openings for young Ph.D.'s, higher institutional expenditures for salaries and benefits, and a draining of intellectual vitality from higher education. While it is impossible to predict exactly how faculty members will react to the new legislation, we can estimate how many professors over the next twelve years will be in a position to react and what their reactions will mean to the institutions. Such an assessment is achieved by first projecting total faculty employment through 1990;

next, projecting faculty age distribution over that period; and then, varying this distribution to take into account the effects of the ADEA amendments. Finally, institutional costs incurred as a result of faculty responses to the amendments can be estimated on the basis of current compensation patterns.

Aggregate Faculty Employment Until 1990

The total number of college teachers employed during the 1980s will depend on a variety of factors, the most important of which are listed in Table 8. The only one of these determinants of demand that can be predicted with much certainty at this time is the size of the traditional college-age population. Here the prognosis is clear: Census Bureau data on recent births indicate that the 18-to-24-year-old population will decline from 28.6 million in 1977 to 25.1 million in 1990, a decrease of 12 percent.

Changes in the high school graduation rate, the college-going rate of high school graduates, and the postsecondary participation rate of older people are highly uncertain. Though many people are hopeful that increased participation rates will help to offset the demographic decline, the extent of these increases remains to be seen. Just as difficult to predict are changes in demand factors unrelated to enrollments: e.g., student-faculty ratios and federal spending for research and development. Thus, the best estimates of future demand for faculty members must be made on the basis of known changes in the size of the traditional college-age population and refined on the basis of hesitantly predicted trends in participation rates, student-faculty ratios, federal appropriations (for student aid as well as for research and development), and other independent variables.

Two widely used series of faculty employment projections, one developed by Allan M. Cartter and the other by the National Center for Education Statistics (NCES), are presented in Figure 1.[1] Though they derive from different assumptions about enrollment (with Cartter being less optimistic that adult enrollments will help make up for the decline

1. Allan M. Cartter, Ph.D.'s and the Academic Labor Market, Report for the Carnegie Commission on Higher Education (New York: McGraw Hill Book Co., 1976), p. 21; National Center for Education Statistics, Projections of Education Statistics to 1985-86 (Washington: Government Printing Office, 1977), p. 55.

in the traditional college-age population), the overall projections of the two series are fairly similar: Over the 1973-85 period NCES estimates average slightly more than 2 percent higher than Cartter's, and even over the 1975-82 period, where the greatest differences are found, NCES estimates are, on the average, only 4 percent higher.

According to NCES, employment of full-time teaching faculty (at instructor rank or higher) will gradually climb to a peak of 472,000 in 1982 and then will drop to 445,000 by 1985 (a decrease of 27,000 or 5.7 percent over a three-year period). The Cartter estimates also peak in 1982 (at 465,000) and then decline to 438,000 by 1987 (a decrease of 27,000 or 5.8 percent over a five-year period) before stabilizing for the remainder of the decade.

In all, there is little to choose between the NCES and the Cartter projections. The NCES figures might be preferred in that they are more recent. (The latest volume of Projections of Education Statistics uses actual data for the years up to 1975, while the last year of actual figures in Cartter's projections is 1972.) In the rest of this chapter, however, we will use the Cartter estimates, because they are based on what seem to be slightly more realistic enrollment estimates and because they yield a smooth projection of faculty needed up to 1990.

Whichever source one uses, the trend is the same. Compared with the 1960s, only small increments in the employment of full-time faculty members can be expected during the next few years. After the early 1980s, no increases at all can be expected. Indeed, unless the propensity of high school graduates or older people to enroll in higher education increases rather dramatically, total faculty employment will probably decline, at least slightly. As is pointed out in a later section, the number of Ph.D.'s seeking employment in academia is likely to follow a very different pattern.

Changes in Faculty Age Distribution

The data reported in Chapter 2 indicate that, at present, few faculty members are in the upper age categories. In future years, as professors in the more heavily populated categories grow older, the upper categories

will account for a larger proportion of all faculty members and, because of the relatively small increase in total faculty employment, the lower categories will account for a smaller proportion. This shift would occur even without any change in mandatory retirement policies. Raising the mandatory retirement age can be expected to contribute further to the aging of the professoriate.

To assess the impact of the ADEA amendments on faculty age distribution, it is necessary first to project the changes in age distribution that would occur in the absence of any modification of the law and then to estimate any additional change specifically attributable to the amendments. Data from the ACE faculty surveys of 1969 and 1972 and from the survey conducted for the study reported here provide a basis for estimating changes in faculty age distribution under current conditions.[2] Projections of the age distribution of faculty members for the years 1978 to 1990 assume that current rates of hiring and promotion, of tenure award and denial, of migration between teaching and other occupational fields, and of death and disability will continue. Data on these factors came from the Cartter study.[3] Retirement patterns were projected on the basis of statistics from the Teachers Insurance and Annuity Association--College Retirement Equities Fund.[4] These data indicate a trend, dating back to the late 1960s, toward increasing early retirement. This trend was projected to continue into the future.

A few additional simplifying assumptions were made to permit projection of faculty age distribution on a year-to-year basis. First, it was assumed that current faculty members are evenly distributed within each five-year category. For the over-65 category, it was assumed that the largest number of people are age 66, with fewer at each succeeding year. Similarly, those faculty members in the under-31 group were clustered near age 30.

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2. Results from the 1969 survey are reported in Alan E. Bayer, College and University Faculty: A Statistical Description. ACE Research Reports, Vol. 5, No. 5, June 1972. Results from the 1972 survey are reported in Alan E. Bayer, Teaching Faculty in Academe: 1972-73. ACE Research Reports, Vol. 8, No. 2, August 1973.
3. Ph.D.'s and the Academic Labor Market, pp. 153-186.
4. Data supplied by TIAA-CREF staff, November 1977.

Table 9 and Figure 2 show the results of this projection process. According to these statistics, between now and 1990 the number of faculty members under age 30 will drop sharply, while the number in the 31-35 age range will increase until 1982 and then decline to the 1978 level. All of the middle categories (age 36-60) register an increase, especially the 51-60 age group, for which the net increase is over 23 percent. The number of faculty members in the 61-65 age group remains fairly stable, whereas the number in the over-65 category declines because of increasing early retirement.

Overall, during a period of fairly constant total employment (the increase of 6.9 percent between 1978 and 1982 is followed by a decrease of 6.2 percent by 1990), the proportion of that employment accounted for by people in the 36-40, 46-50, 51-55, and 56-60 age categories will increase a few percentage points, while the proportion accounted for by the under-31 and over-65 age categories (especially the former) will decline. The proportion of total employment accounted for by the other age categories will remain the same.

A different picture emerges when one takes into consideration the probable effect of the ADEA amendments. To arrive at such an assessment, assumptions must be made about the behavior of older faculty members in response to the amendments. The assumption used here is that all faculty members who, under current policies, would continue teaching full-time until at least age 65, will under the amended ADEA, continue until age 70; at the same time, those who would have retired before age 65 will continue to do so. All other existing conditions (including the increased tendency of faculty members over age 65 to die or to retire because of ill health) are assumed to continue. While employment trends projected under this assumption could not conceivably be borne out by future events, they do indicate the maximum impact that a change in the mandatory retirement age might have. Institutional planners should regard them as "worst-case" projections, which can be adjusted in light of future changes in faculty behavior or in institutional policies.

The product of these projections is shown in Table 10 and Figure 3. Looking at the trends from year to year, one finds that, up to 1982 at the earliest, the age distribution projected under the "retirement-at-age-70" assumption differs only slightly from that projected under the "current-policies" assumption. The reason is that, even though nontenured

faculty members will be permitted to teach until age 70 beginning in 1979, few of these teachers are ever retained until age 65 and, therefore, few will have the opportunity to take advantage of the amended law. After 1982, when coverage is extended to tenured faculty members, the situation changes. Rather than declining, the number of faculty members in the over-65 category will start to increase, from 7,600 in 1982 to 26,100 in 1987, at which point it will level off. Consequently there will be fewer faculty members in the youngest age categories. Each year between 1981 and 1989, the number of faculty members age 30 and under is projected to be less than is projected under current policies. At the low point, 1988, no under-31 faculty members will be employed. (In contrast under the current policies assumption, the under-31 age category would account for 1.1 percent of total employment in that year.) An increase to 3,500 under-31 faculty members (.8 percent of the professoriate) is projected for 1990. The projected trend for the 31-35 age group is similar, though not as dramatic.

In summary, the impact of projections under the retirement-at-age-70 assumption rather than the current-policies assumption falls most heavily on the youngest and oldest age categories, as is apparent from an examination of the years 1982, 1987, and 1990. In 1982, only nontenured faculty members are affected by the amendments; the number of faculty members in each of the age categories is roughly the same under either assumption. By 1987, five years of tenured faculty members have reached age 65 and have decided to continue teaching until age 70. As a result, the over-65 group accounts for 5.8 percent of the total professoriate (rather than 1.1 percent, as under the current-policies assumption), whereas people under age 36 constitute 17 percent (rather than 19 percent) of total employment. By 1990, a significant number of faculty members have reached age 70 and thus have had to retire, younger faculty members are starting to be hired again, and the proportion of total employment accounted for by under-36 faculty members has stabilized at about 16 percent. The over-65 group has declined to 5.1 percent. In 1990, as positions for faculty members age 30 and under again open up after being unavailable during the middle years of the decade, this age group is better represented than it would be under the current-policies assumption.

Implications for Total Faculty Employment

Looking at Tables 9 and 10, one finds that the total number of full-time faculty members projected to be employed in certain years is different under the retirement-at-age-70 assumption than under the current-policies assumption. The explanation is as follows: Under current policies, few openings for new faculty members are expected during the middle 1980s. If older professors manifest a marked tendency to retire at age 70 rather than earlier, then the number of continuing professors in the oldest cohort will more than cancel out the number of expected hires. Consequently, for the five-year period 1984-1988, no new faculty members will be hired, and the large number of over-65 professors will inflate the previous total employment estimates. After 1988, when a large number of 70-year-old faculty members are forced to retire, total employment figures will no longer exceed previously projected levels.

The inflation in total faculty size under the retirement-at-age-70 assumption is not large; in the peak year (1986), employment under that assumption would exceed employment under current policies by 9,900 or 2.2 percent. If one hypothesizes that not all faculty members who continue teaching until age 65 will continue until age 70, such inflation may not occur. Nevertheless, the fact that previous employment projections are exceeded under the retirement-at-age-70 assumption indicates the effect that even a small proportion of the professoriate can have on institutions if the new law causes them to alter their behavior.

Financial Implications

During the years 1983-1990, the total institutional costs for faculty compensation are greater under the retirement-at-age-70 assumption than under current policies for two reasons. In the first place, because the professoriate is somewhat older when the retirement-at-age-70 assumption is used, the salary and benefits bill for the same number of faculty members is higher. Second, because total employment figures are higher for the years 1984-1987, institutions face additional compensation costs for those years.

Total compensation (salary plus benefits) costs under each assumption were compared using age-specific data from the 1977 Ladd-Lipset Survey of the American Professoriate.[5] Benefits were assumed to cost the institution 15 percent of salary regardless of the age of the faculty member. This analysis revealed that costs under the retirement-at-age-70 assumption would begin to exceed those under current policies in 1983. The difference rises to over 4 percent in 1987 and 1988. In the final year of the decade (when inflation in total employment is no longer a factor), this difference levels out at about 2 percent. This difference would probably continue to hold into the 1990s if our projections extended through that period. A 2 percent higher compensation bill may or may not be considered a major burden to the institutions.

If the projections significantly overestimate the number of faculty members who will continue teaching after age 65, the additional compensation cost to the colleges will be smaller. An overall decline in the salaries of older faculty members relative to younger faculty members would also result in a lower compensation bill.

The Perspective of the Ph.D.-Recipient

According to our analyses, then, extending the ban on mandatory retirement to age 70 will have the following effects: an increase in the number of over-65 professors (at the expense of those age 30 and under), a corresponding increase of a few percentage points in total faculty compensation payments, and (if retirement patterns change), a small increase in the total number of faculty members employed. For Ph.D.'s who will be entering the academic labor market during the 1980s, the situation appears to be more cataclysmic. Even before the ADEA was amended, few faculty openings were projected; thus, the smallest change in retirement patterns can have a major impact on the academic labor market.[6] On the supply side, the annual number of new doctorate-recipients

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5. See "The Impact of Federal Retirement Legislation on Higher Education: A Report of the Special Committee on Age Discrimination and Retirement," AAUP Bulletin, September 1978, pp. 181-192. The data were adjusted to eliminate the effects of inadequate sampling in the upper age ranges.

6. For instance, if total faculty employment is 450,000 with no growth expected and with a turnover of 4 percent a year, the normal number of annual openings for new faculty members will be 18,000. If a change in retirement policies temporarily reduces turnover to 3 percent, then the number of hires will be reduced to 13,500, a 25 percent decrease.

is projected to drop only slightly, and not until after 1980.

Thus, the extension of the mandatory retirement age could further unbalance a labor market which is already far out of balance. In examining this situation, we will first review the leading projections of supply and demand and then attempt to estimate annual openings under the current-policies and the retirement-at-age-70 assumptions.

Previous Projections of Demand

Since the early 1970s, Ph.D.'s have had an increasingly difficult time landing jobs in higher education. Nearly all previous projections indicate that the situation will worsen in the 1980s.

The reasons are obvious when one considers the factors influencing aggregate demand for new faculty members (Table 11). Total faculty employment is expected to crest and then decline during the 1980s. At the same time, the great majority of existing faculty members are too young to think about retirement for quite a few years. Because most of these faculty members are tenured, institutions will find it difficult to terminate their employment. Retirement and tenure policies are more controllable, but just how these policies will be adjusted remains to be seen. All in all, the outlook for new faculty employment is not good; only the dimensions of the problem are at issue.

As is the case with the projections of total faculty employment, a good place to start in considering the academic labor market is the work of Allan M. Cartter. Cartter projected that the number of Ph.D.'s being produced annually--currently at 37,000--will increase to over 43,000 by the early 1980s before dropping back to the present level.[7] On the demand side, he found that, whereas an average of 27,000 junior faculty members were hired annually between 1962 and 1972, the average annual rate would be no more than 16,000 between 1972 and 1982 and would decline to less than 10,000 between 1982 and 1992. If three-quarters of the junior faculty members hired are Ph.D.'s (a proportion rarely attained), the prognosis is that only about 12,000 Ph.D.'s will be hired annually until 1982 and only about 7,500 a year in the following decade.

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7. Ph.D.'s and the Academic Labor Market, pp. 143-150.

Cartter concluded:

> Therefore, academic demand will probably require not more than 35 percent of graduate school capacity output for the next few years, declining to about 20 percent in the 1980s. In most years between the end of World War II and 1970, at least one-half the new Ph.D.'s found teaching positions in colleges and universities; it seems unlikely that anything close to this fraction will do so in the remaining years of this century.[8]

Cartter noted that a "significant market response" could lead to the creation of several thousand additional openings annually. But since one of the components of such a market response is a gradual lowering of the mandatory retirement age, this possibility is considerably reduced.[9] Therefore, until major institutional adjustments take place, Cartter's more optimistic set of projections appear to be unrealistic.

The Cartter projections receive substantial support from additional evidence provided by the U.S. Department of Labor's Bureau of Labor Statistics (BLS). The BLS has projected that the proportion of all four-year college and university faculty members holding a doctorate will rise from 57 percent in 1972 to 65 percent in 1985. (This change entails an increase from 57 percent in 1972 to 71 percent in 1985 in the proportion of new hires with a Ph.D.[10]) The Bureau further projects, however, that higher education will require only 14,000 new Ph.D.'s annually between 1974 and 1985, while 40,000 doctorates will be awarded annually during that period.[11] Taking into consideration all projected academic and nonacademic openings for Ph.D.'s during those years, the BLS still expects an oversupply of some 221,000 people. In other words, more than two Ph.D.-holders will be available for every position requiring a Ph.D.[12]

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8. Ibid., p. 223.
9. The other major component is increased out-migration of faculty members. Ibid., p. 239.
10. Elinor W. Abramson, "The Storm Ahead for Ph.D.'s," Occupational Outlook Quarterly, Winter 1975, pp. 11-15.
11. U.S. Department of Labor, Bureau of Labor Statistics, Occupational Projections and Training Data, Bulletin 1918 (Washington: Government Printing Office, 1976), pp. 37-38.
12. Abramson, "The Storm Ahead for Ph.D.'s.," p. 13.

Studies of individual disciplines by BLS and other agencies indicate that the market will vary considerably by field. Ph.D.-holders in those disciplines which offer fewer alternatives to academic employment (primarily the humanities and some of the social sciences) will have the hardest time finding positions commensurate with their education. The BLS projects that, between 1974 and 1985, the supply of Ph.D.'s in education will be over three times as high as the demand; in the arts and humanities, it will be over five times as high.[13] Even in the natural sciences, a market imbalance may be occurring. A recent survey of graduate departments in the biosciences indicated that annual production of doctorates will increase from 3,400 to 5,400 between the 1975-76 and the 1979-80 academic years.[14] However, the number of annual openings requiring a Ph.D. in the life sciences is projected to be little more than 3,000.[15]

Another recent study casts doubt on the supposition that the proportion of new faculty positions going to doctorate-holders will increase markedly in the coming years.[16] This survey found that the great majority of institutions expect the proportion of new faculty with doctorates to remain relatively stable in almost all fields for the next five years. The reasons given for not wanting to increase this proportion included budget constraints, anxiety over future enrollment declines (and a resulting desire to hire temporary, mainly non-Ph.D. faculty members), and the nonacademic nature of many community college courses.[17] Thus, the increase in the proportion of new faculty members with Ph.D.'s projected by Cartter and by the BLS may be overly optimistic.

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13. Occupational Projections and Training Data, p. 21.

14. Frank J. Atelsek and Irene L. Gomberg, Production of Doctorates in the Biosciences, 1975-1980: An Experimental Forecast. Higher Education Panel Reports, Number 34 (Washington: American Council on Education, November 1977), p. 3.

15. Occupational Projections and Training Data, p. 21.

16. Frank J. Atelsek and Irene L. Gomberg, New Full-Time Faculty 1976-77: Hiring Patterns by Field and Educational Attainment. Higher Education Panel Reports, Number 38 (Washington: American Council on Education, March 1978), pp. 5-6.

17. Ibid., pp. 7-9.

In summary, before the ADEA was amended, all sources of information agreed that the outlook with respect to the academic employment market during the final years of the 1970s and all of the 1980s was grim. The concern now is the additional strain which the amendments will impose on an already tight market. The extent of that strain is the subject of the next section.

The Impact of Retirement at Age 70

In considering the impact of the ADEA amendments on openings for new faculty members, the approach taken here is to compare the number of openings projected under the current-policies assumption with those under the retirement-at-age-70 assumption. The results of that comparison are shown in Table 12.

Because few faculty members will be affected until 1982, when protection from mandatory retirement until age 70 is extended to those with tenure, the difference between the current-policies and the retirement-at-age-70 estimates until that time is not great: 3.8 percent fewer openings over the 1978-1982 period. After that, the retirement-at-age-70 projections show a precipitous decline in the number of new faculty members hired. For six consecutive years, no new openings are projected to be available (under the current-policies assumption, this is projected to happen for only two years), with recovery beginning only in 1989. Over the entire 1983-1990 period, the number of openings is 65.3 percent less under retirement at age 70 than under current policies.

Thus, the predicted impact of retirement at age 70 on faculty openings is substantial, at least in proportional terms. If fewer faculty members continue teaching after age 65 than has been assumed here, the impact will be less dramatic. Nonetheless, it is likely that any change in faculty retirement patterns as a result of the amendments will be somewhat damaging to new Ph.D.'s. For this reason, institutional policy revisions designed to blunt the impact of the ADEA amendments may be required.

Summary

The major findings reported in this chapter are summarized in Table 13. To restate them briefly, projections under the retirement-at-age-70 assumption, compared with those under current policies, indicate a slightly increased faculty size over a five-year period, the reason being that delayed retirements by older faculty members will more than outweigh the number of new faculty members previously expected to enter the system. The aging of the professoriate and the temporary increase in total faculty size cause faculty compensation costs to increase by as much as 4 percent annually. Once the total number of faculty members returns to the level projected under current policies, this increase appears to level out at about 2 percent each year. Finally, the number of junior faculty openings is zero for six years (instead of for two years, as under current policies), with recovery commencing only after 1988.

A few caveats are in order. First, the projections reported here are based on certain assumptions about enrollments, student-faculty ratios, salaries, and other factors, all of which are open to challenge. Although a small modification of any of the parameters would have only slight effects on the results, an unexpected and major change in, for instance, the college-going rate of high school graduates could dramatically alter the picture.

Second, this analysis has necessarily involved the aggregation of data. The resulting national picture may not, however, hold true for the individual institution. For higher education considered as a whole, both retirements and job openings are expected to occur infrequently during the next decade, whatever the impact of the new age discrimination legislation. Because the average senior professor receives about twice the salary of the average junior faculty member, the aging of the professoriate will result in greater salary and benefits costs for higher education. But many institutions will have faculty age distributions and compensation schedules that are very different from the national averages. Institutional planners should make use of our findings only as they relate to specific institutional conditions and needs.

Third, the retirement-at-age-70 assumption is intended to serve as an analytical construct, not as a prediction of what will actually occur. The recent trend has been toward earlier, not later, retirement. Even in an era of continued high inflation (with its erosion of retirement income), it is questionable whether the majority of faculty members will want to stay on until age 70. Further, the projections implicitly assume no policy changes on the part of academic institutions. In reality, however, some institutional adaptation may be expected. Among the measures that might moderate the impact of the ADEA amendments are the following:

- Phased retirement and incentive early retirement plans
- Significant gains in attracting nontraditional types of students
- Adjusted salary structures and tenure systems
- Programs to encourage faculty members to make mid-career changes and to spend some of their working lives in jobs outside of academia
- New techniques for performance evaluation.

By taking the initiative now, higher education institutions may avoid the problems that would result if the most undesired of the projections reported here were to occur.

TABLES

TABLE 1

SURVEY RESPONSE RATE,
BY INSTITUTIONAL TYPE

	Two-Year College	Four-Year College	University
Public	35%	52%	66%
Private	50%	50%	55%

Response rate for all institutions = 48%

Source: Policy Analysis Service, American Council on Education, June 1978.

TABLE 2

PROPORTION OF INSTITUTIONS
WITH TENURE SYSTEMS,
BY INSTITUTIONAL TYPE

	Two-Year College	Four-Year College	University
Public	47%	96%	100%
Private	39%	68%	100%

Percentage of all institutions with tenure systems: 70%

Source: Policy Analysis Service, American Council on Education, June 1978.

TABLE 3

PROPORTION OF ALL FULL-TIME FACULTY WHO HAVE TENURE AT ALL INSTITUTIONS WITH TENURE SYSTEMS, BY INSTITUTIONAL TYPE

	Two-Year College	Four-Year College	University
Public	56%	61%	63%
Private	50%	51%	55%

Percentage of all full-time faculty with tenure (at institutions with tenure systems): 56%

Source: Policy Analysis Service, American Council on Education, June 1978.

TABLE 4

MEAN PROPORTION OF TENURED FULL-TIME FACULTY MEMBERS
AT INSTITUTIONS WITH TENURE SYSTEMS,
BY INSTITUTIONAL TYPE

	Two-Year College	Four-Year College	University
Public	63%	57%	57%
Private	62%	50%	58%

Mean percentage for all institutions with tenure systems: 55%

Source: Policy Analysis Service, American Council on Education, June 1978.

TABLE 5

DISTRIBUTION OF INSTITUTIONS BY TYPE OF RETIREMENT PLAN(S) OFFERED TO FACULTY

	Public			Private		
Type of Plan Offered	2-Year Colleges	4-Year Colleges	Universities	2-Year Colleges	4-Year Colleges	Universities
Social Security (SS) only					1	
TIAA only		1			4	
One public plan only	3	3	2			
One other private plan only				1	2	
SS and TIAA		3	1	3	25	10
SS and one public plan	6	6	5			
SS and two public plans			3			
SS and other private plan				1	4	
SS and TIAA and one public plan	4	6	5			
SS and TIAA and one other private plan			1	1	8	1
TIAA and one public plan and one other private plan	1	1	1			
SS and TIAA and one public and one other private plan		2	1			
Total	14	22	19	6	44	11

Source: Policy Analysis Service, American Council on Education, 1978.

TABLE 6

DISTRIBUTION OF INSTITUTIONS BY
PROPORTION OF RETIREMENT PREMIUM
PAID BY THE INSTITUTION FOR EACH TYPE OF PLAN

	TIAA/CREF	Public/State
0-20 percent	-	-
21-49 percent	1%	7%
50 percent	45%	26%
51-60 percent	17%	22%
61-99 percent	10%	4%
100 percent	9%	15%
Percentage varies	17%	26%
	N = 69[a]	N = 46[a]

[a]N refers to the total number of plans, not the total number of institutions, in each category.

Note: Column totals may not equal 100 percent due to rounding.

Source: Policy Analysis Service, American Council on Education, 1978.

TABLE 7

NUMBER OF INSTITUTIONS WITH INCENTIVE EARLY RETIREMENT POLICIES, BY MANDATORY RETIREMENT AGE AND COMPULSORY RETIREMENT AGE

Mandatory Retirement Age	Compulsory Retirement Age
Age 65 - 10	Age 70 - 8
Age 67 - 2	Age 72 - 1
Age 70 3	No age limit - 5
No retirement mandatory - 1	No allowed extensions - 2
Unknown - 3	No retirement mandatory - 1
	Unknown - 2

Source: Policy Analysis Service, American Council on Education, 1978

TABLE 8

FACTORS INFLUENCING AGGREGATE DEMAND FOR COLLEGE FACULTY

- Undergraduate enrollment
  - -size of traditional college-age population
  - -high school graduation rate
  - -college enrollment rate of traditional college-age population
    - --personal and parental goals and expectations
    - --cost of college and opportunity cost (i.e., availability of employment for high school graduates)
    - --federal, state, and institutional financial aid policies
    - --military opportunities and manpower policies and requirements
    - --public perception of the value of a college education
  - -enrollment rate of the adult population
- Graduate enrollment
  - --employment prospects in specific fields
  - --cost, financial aid, and opportunity cost
  - --military manpower policies
  - --popularity (for noneconomic reasons) of specific occupations and academic disciplines
  - --undergraduate enrollment (as a determinant of the number of teaching assistant positions)
- Financial state of institutions and student-faculty ratios
- Government investment in research and development

Source: Policy Analysis Service, American Council on Education, June 1978.

TABLE 9

PROJECTED NUMBER OF FULL-TIME FACULTY MEMBERS, BY AGE,
UNDER AN ASSUMPTION OF CURRENT POLICIES
(IN THOUSANDS)

Age Category	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
30 and under	37.9	32.6	30.2	27.3	24.2	20.8	17.4	13.9	11.0	7.9	4.8	1.8	.0
31-35	76.1	76.4	78.6	79.2	80.5	80.1	79.2	77.7	76.6	75.8	76.4	76.9	76.0
36-40	82.2	84.0	86.8	91.7	91.1	91.7	91.6	91.2	90.2	91.1	92.6	94.2	43.5
41-45	65.7	69.7	71.3	71.8	72.5	72.7	71.9	70.9	64.5	69.2	69.8	69.8	69.5
46-50	58.7	62.6	64.9	65.8	67.0	67.1	66.9	66.0	65.1	64.8	65.9	66.7	66.4
51-55	47.4	51.4	53.5	54.2	55.8	56.0	56.3	55.7	55.0	55.6	56.2	57.0	56.8
56-60	37.0	40.2	42.0	42.6	44.2	44.9	45.3	45.4	45.3	46.0	46.5	47.3	47.6
61-65	23.1	23.2	23.8	24.1	24.2	29.5	24.3	23.8	23.3	23.2	23.3	23.9	23.6
66 and over	7.8	7.2	6.9	7.0	6.5	6.0	6.0	5.4	4.8	4.8	4.4	4.4	3.9
Total	435.9	447.3	458	463.7	466.0	463.8	458.9	450.0	440.8	438.4	439.9	447.0	437.3

Source: Policy Analysis Service, American Council on Education, June 1978.

TABLE 10

PROJECTED NUMBER OF FULL-TIME FACULTY MEMBERS, BY AGE,
UNDER AN ASSUMPTION OF RETIREMENT AT AGE 70
(IN THOUSANDS)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
30 and under	37.8	32.4	28.9	26.7	23.2	18.2	14.5	11.0	8.1	3.4	.0	1.4	3.5
31-35	75.9	76.3	78.3	78.7	79.7	77.9	76.7	75.2	74.0	71.6	69.7	68.1	65.6
36-40	82.0	84.0	86.7	91.5	90.8	90.8	90.5	90.0	88.9	89.0	88.7	89.7	88.4
41-45	65.6	69.7	71.2	71.6	72.2	71.9	71.1	70.1	68.7	68.0	67.7	66.9	65.9
46-50	58.6	62.6	64.9	65.8	67.0	66.8	66.6	65.6	64.6	64.0	64.6	65.2	64.7
51-55	47.3	51.4	53.5	54.2	55.8	55.8	56.2	55.6	54.9	55.4	55.7	56.3	55.9
56-60	36.9	40.2	42.0	42.6	44.2	44.9	45.3	45.4	45.3	46.0	46.3	47.0	47.3
61-65	23.1	23.2	23.8	24.1	24.2	24.5	24.3	23.8	23.3	23.2	23.3	23.9	23.6
66 and over	7.8	7.6	7.4	7.6	7.6	11.8	15.9	19.5	22.9	26.1	24.9	23.5	22.2
Total	435.0	447.4	456.7	462.8	464.7	462.6	461.1	456.2	450.7	446.7	440.9	442.0	437.1

Source: Policy Analysis Service, American Council on Education, June 1978.

TABLE 11

FACTORS INFLUENCING AGGREGATE DEMAND FOR NEW FACULTY MEMBERS

- Total faculty employment
- Age structure of existing faculty
- Percentage of existing faculty with tenure
- Tenure patterns and policies
- Faculty migration and retirement patterns
- Institutional retirement policies

Source: Policy Analysis Service, American Council on Education, June 1978.

TABLE 12

PROJECTED NUMBER OF JUNIOR FACULTY OPENINGS,
UNDER THE "CURRENT POLICIES" AND "RETIREMENT AT 70" ASSUMPTIONS,
1978-1990

Year	"Current Policies"	"Retirement at 70"
1978	14,600	14,600
1979	17,700	17,300
1980	15,800	15,300
1981	11,900	11,300
1982	7,900	6,800
1983	4,000	0
1984	1,100	0
1985	0	0
1986	0	0
1987	4,300	0
1988	7,600	0
1989	10,100	3,800
1990	2,700	6,500

Source: Policy Analysis Service, American Council on Education, June 1978.

TABLE 13

STATISTICAL PROJECTIONS OF THE IMPACT OF FACULTY RETIREMENT
AT AGE 70, 1982-1990

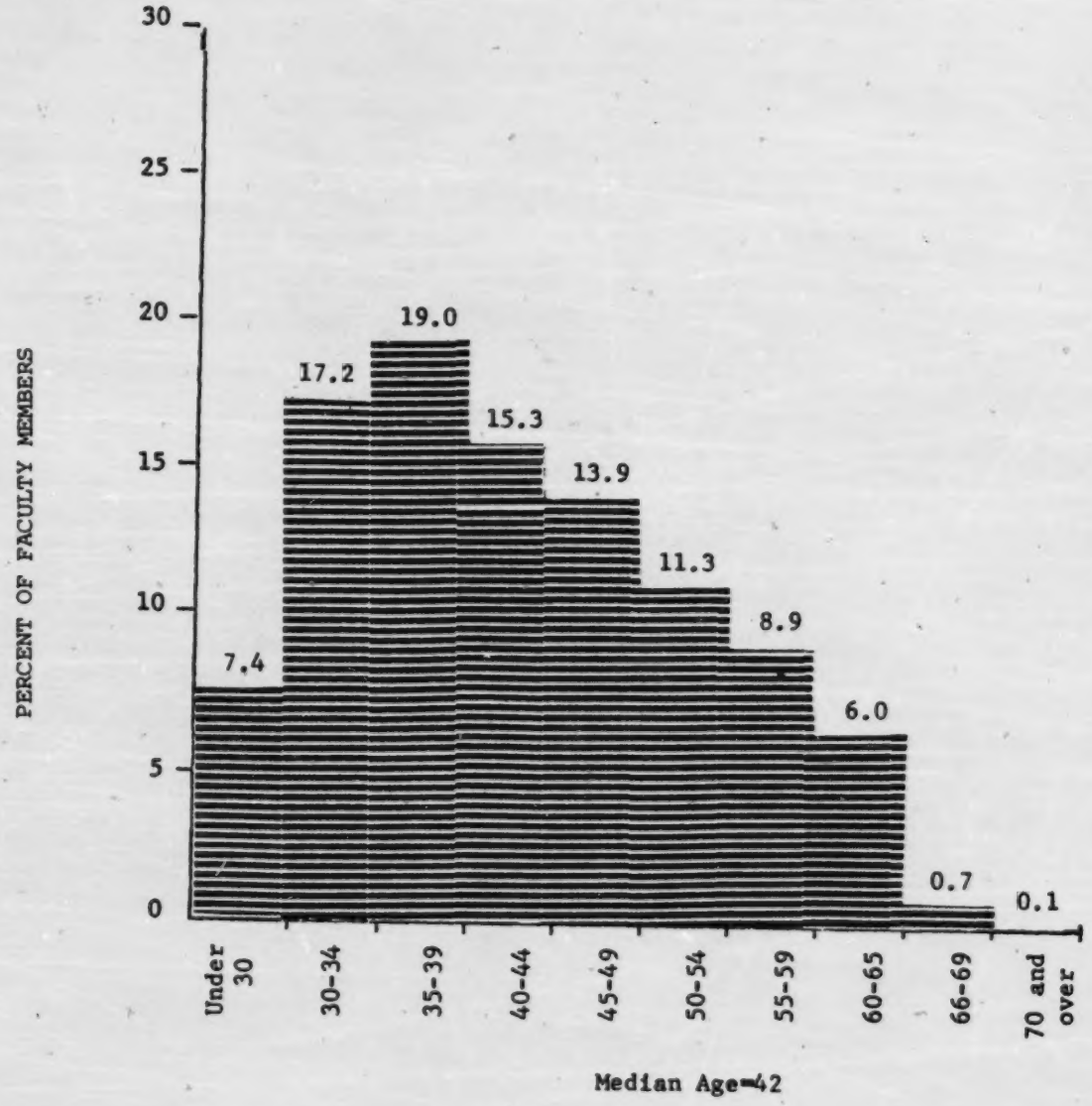
	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total size of full-time faculty under current policies (in thousands)	466.0	463.8	458.9	450.0	440.8	438.4	439.9	442.0	437.3
Total size of full-time faculty under retirement at 70 (in thousands)	464.7	462.2	461.1	456.2	450.7	446.7	440.9	442.0	437.1
Percentage change in total faculty size under retirement at 70	-0.3%	-0.3%	0.5%	1.4%	2.2%	1.9%	0.2%	0%	0%
Percentage increase in total faculty compensation under retirement at 70	0%	0.5%	1.6%	2.9%	4.1%	4.2%	2.7%	2.1%	1.9%
Junior faculty openings under current policies (in thousands)	7.9	4.0	1.1	0	0	4.3	7.6	10.1	2.7
Junior faculty openings under retirement at 70 (in thousands)	6.8	0	0	0	0	0	0	3.8	6.5

Source: Policy Analysis Service, American Council on Education, June 1978.

FIGURES

FIGURE 1

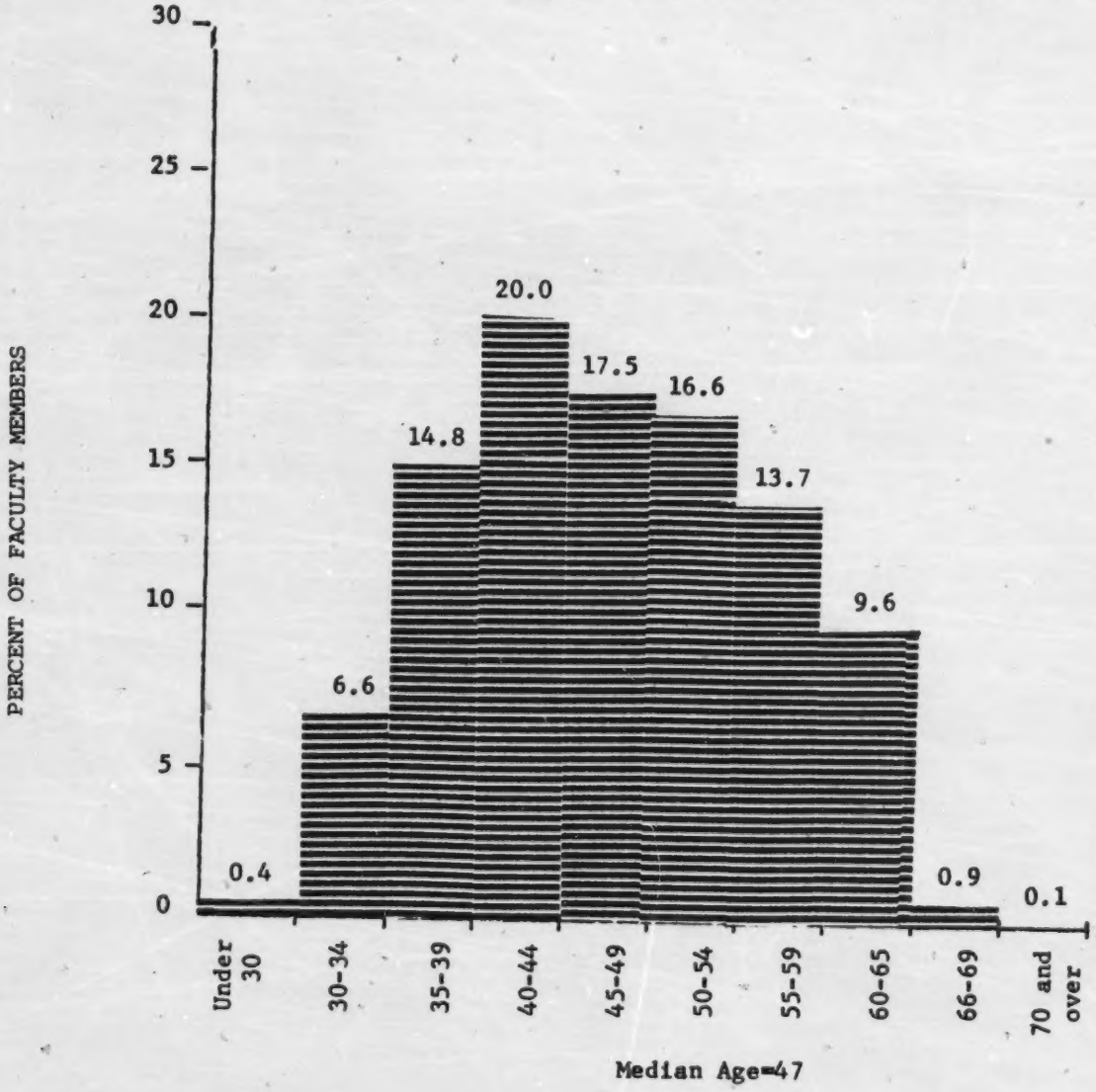
AGE DISTRIBUTION OF FULL-TIME FACULTY MEMBERS



Source: Policy Analysis Service, American Council on Education

FIGURE 2

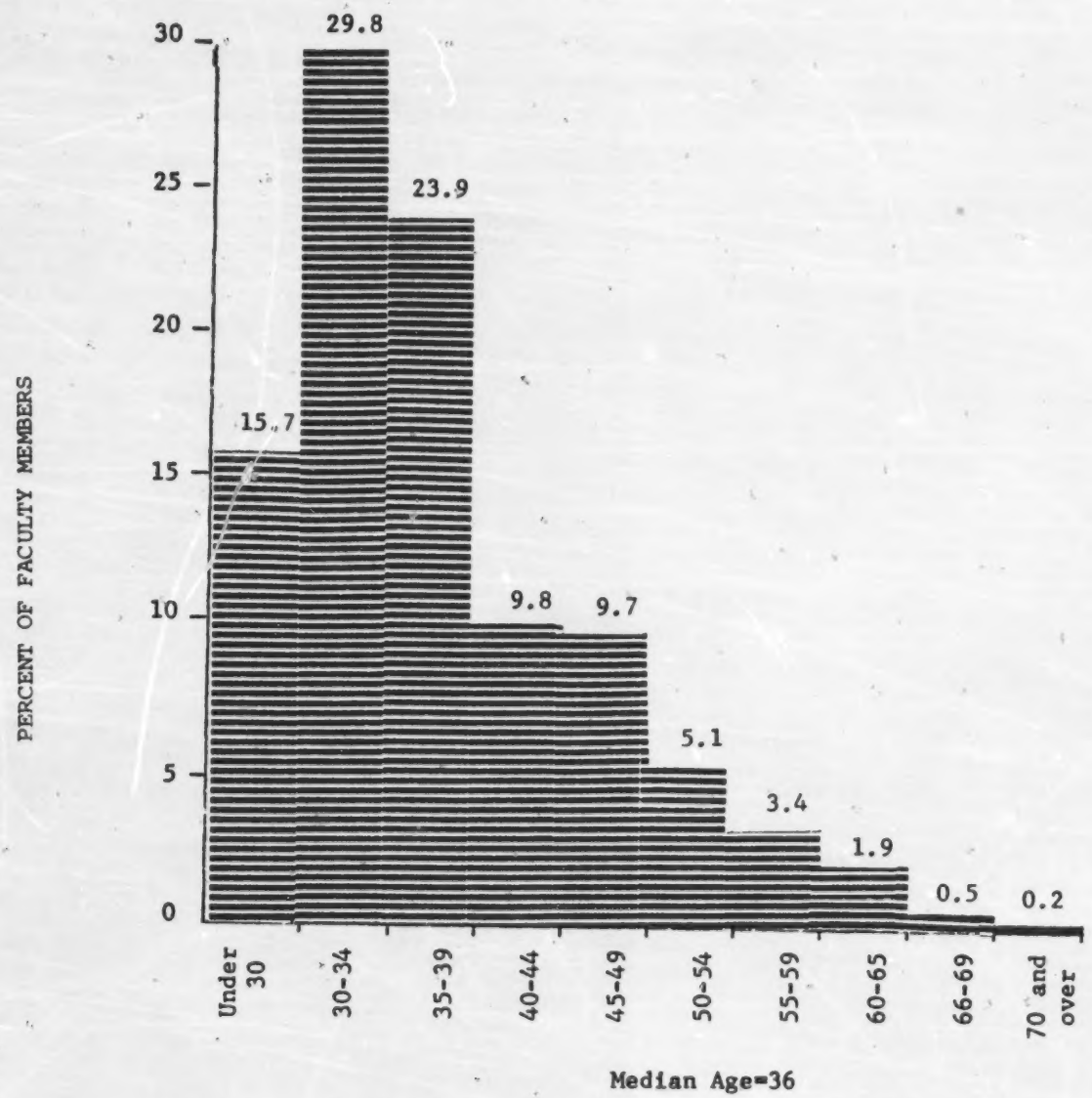
AGE DISTRIBUTION OF FULL-TIME TENURED FACULTY MEMBERS



Source: Policy Analysis Service, American Council on Education

FIGURE 2

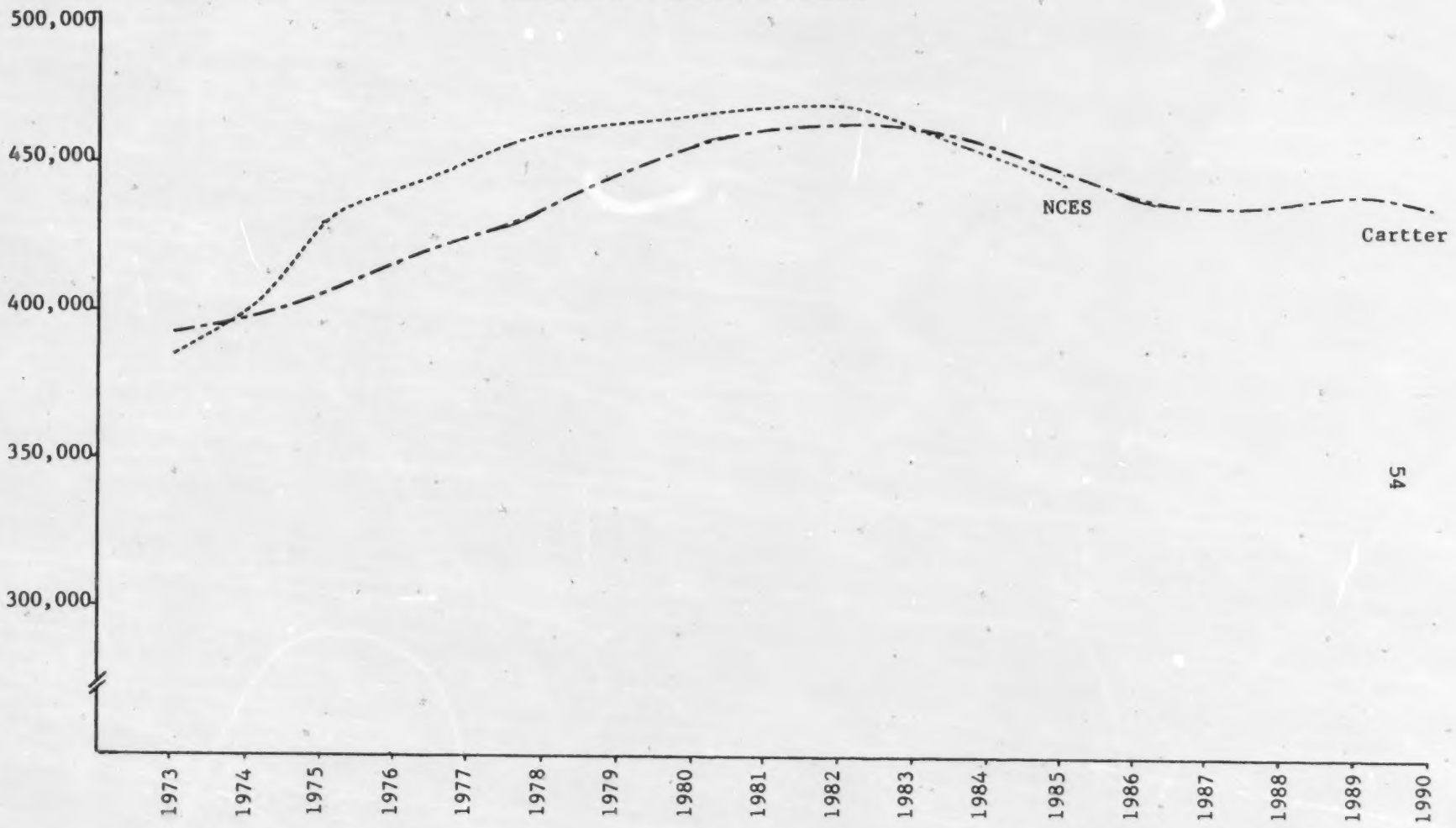
AGE DISTRIBUTION OF FULL-TIME NONTENURED FACULTY MEMBERS



Source: Policy Analysis Service, American Council on Education

FIGURE 4

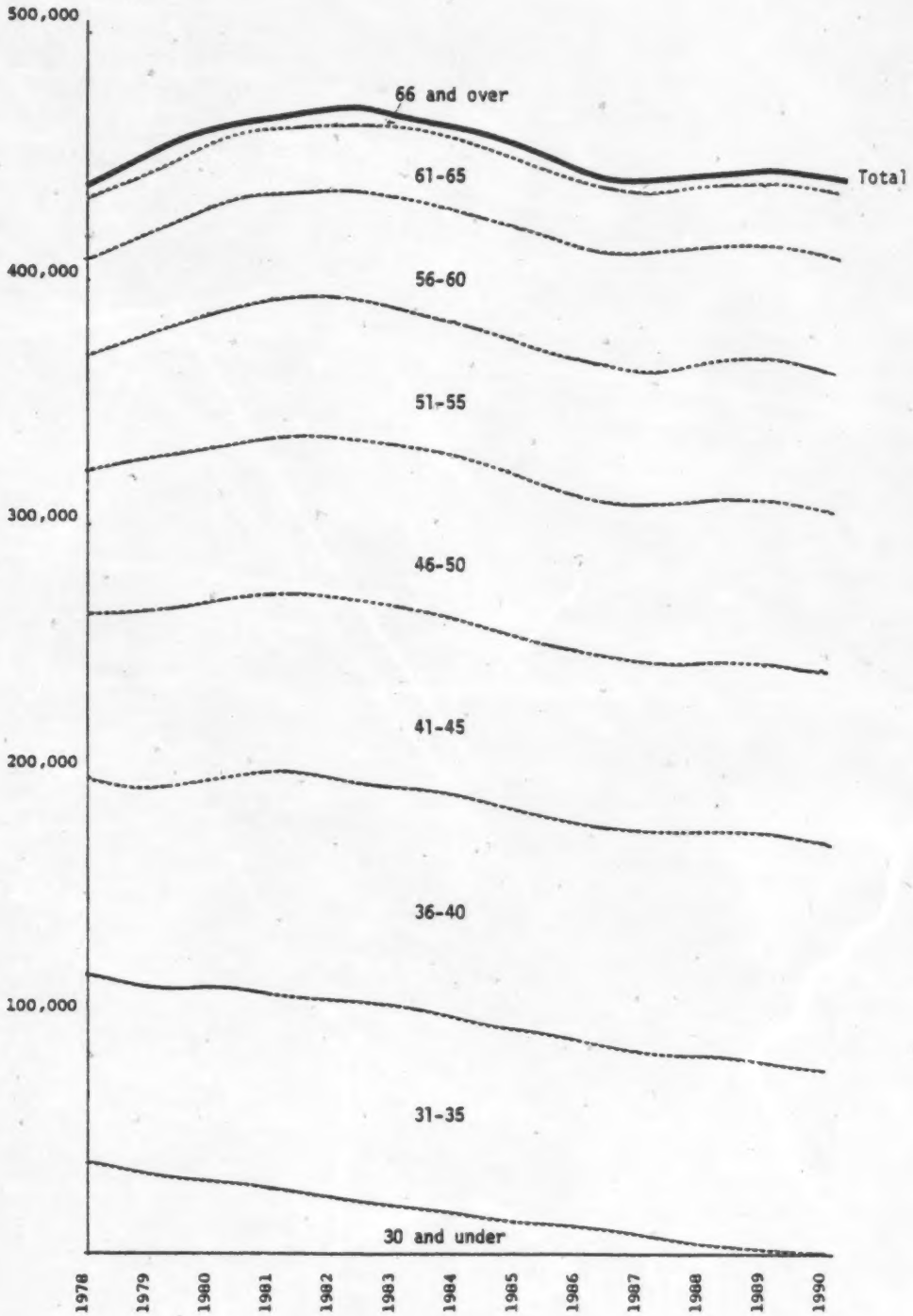
PROJECTED NUMBER OF FULL-TIME TEACHING FACULTY,
INSTRUCTOR OR ABOVE, 1973-1990



Sources: National Center for Education Statistics, Projections of Education Statistics to 1985-86, (Washington: Government Printing Office, 1977), p. 55. Allan M. Cartter, Ph.D.'s and the Academic Labor Market, Report for the Carnegie Commission on Higher Education (New York: McGraw Hill Book Co., 1976), p. 121.

FIGURE 5

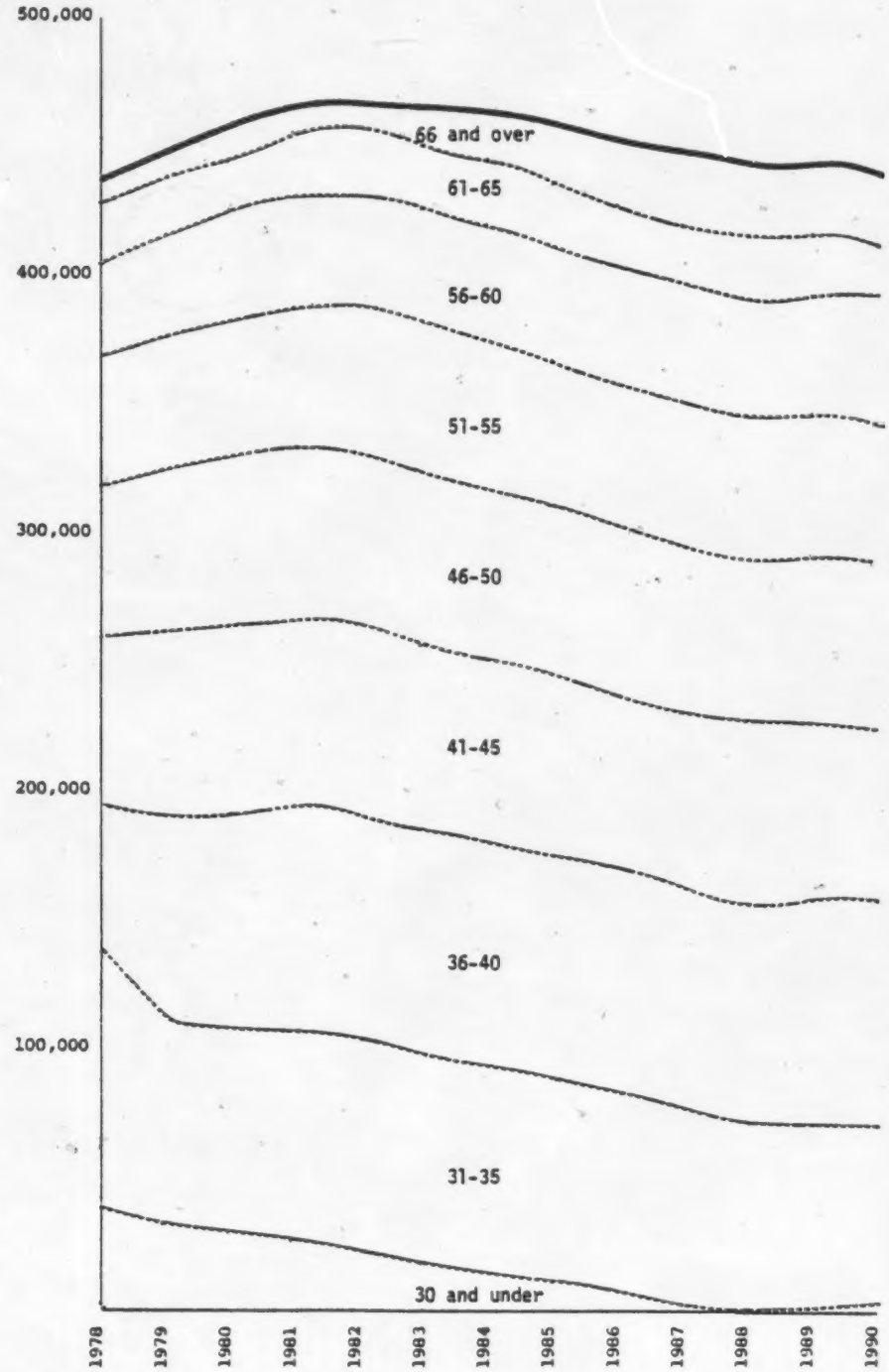
PROJECTED NUMBER OF FULL-TIME FACULTY MEMBERS, BY AGE,
UNDER AN ASSUMPTION OF CURRENT POLICIES



Source: Policy Analysis Service, American Council on Education

FIGURE 6

PROJECTED NUMBER OF FULL-TIME FACULTY MEMBERS, BY AGE, UNDER AN ASSUMPTION OF MANDATORY RETIREMENT AT AGE 70



Source: Policy Analysis Service, American Council on Education

APPENDIX A

MANDATORY RETIREMENT LEGISLATION

APPENDIX A

AMERICAN COUNCIL ON EDUCATION
ONE DUPONT CIRCLE
WASHINGTON, D. C. 20036

OFFICE OF GOVERNMENTAL RELATIONS

March 13, 1978

INFORMATION MEMORANDUM

TO: Federal Liaison Representatives

FROM: Laura C. Ford *Laura C. Ford*

SUBJECT: Mandatory Retirement Legislation

On March 2 conferees from the House and Senate met and resolved differences between their respective bills to raise to seventy the age at which employers may mandatorily retire employees. The conference agreement is expected to be approved by both houses and signed by the President early this spring.

With respect to all nonfaculty employees and faculty members without tenure, the effective date of the new law will be January 1, 1979. With respect to faculty members with tenure, the effective date will be July 1, 1982. If an institution is a party to a collective bargaining agreement which was executed prior to September 1, 1977, and which provides for retirement at an age earlier than seventy, that provision may continue to be enforced until the agreement expires or January 1, 1980, whichever comes first.

Two exceptions to the bill's coverage may have some limited implications for colleges and universities. Administrators whose retirement income, exclusive of Social Security, would exceed $27,000 would likely fall within an exemption for executives and "high policy-making employees," who may be required to retire upon reaching age sixty-five. Also, the bill would permit continuation of mandatory retirement at any age of employees whose jobs have bona fide physical requirements; since policemen and firemen were the usually-cited examples of such employees, presumably university police and security guards would be covered.

If an employee reaches his or her sixty-fifth birthday prior to the applicable effective date of the new law, under the federal statute an institution may require that he or she retire at that time. However, when the new law takes effect, such an employee could seek to regain his or her position and could bring suit for age discrimination in hiring if he or she were not selected to fill the open position.

This memorandum applies only to the federal Age Discrimination in Employment Act Amendments. State and local laws and--in the case of public institutions--constitutional requirements may affect the rights and responsibilities of institutions and their employees. Legal counsel should be consulted before acting in reliance on this or other published reports as to the effect of this pending legislation.

APPENDIX B

AMERICAN COUNCIL ON EDUCATION
INSTITUTIONAL SURVEY ON RETIREMENT AND TENURE POLICIES IN 1977-78

APPENDIX B

AMERICAN COUNCIL ON EDUCATION
INSTITUTIONAL SURVEY ON RETIREMENT AND TENURE POLICIES IN 1977-78

		Yes	No
1.	a. Does your institution have a tenure system?		
	b. Can part-time faculty be tenured?		
	c. Does current practice permit new awards of tenure?		

2. How many faculty members are currently employed by your institution on a full-time and part-time basis in each of the following age categories? How many of these faculty are tenured? (Include all teaching, research, adjunct, and other faculty.)

	Full-time		Part-time	
Age	Total	Number with Tenure	Total	Number with Tenure
Under 30				
30-34				
35-39				
40-44				
45-49				
50-54				
55-59				
60-61				
62-63				
64-65				
66-67				
68-69				
70 and above				

If you answered yes to question 1, please continue.

If you answered no to question 1, you do not need to respond to the remainder of this questionnaire. Please fill in your name and phone number on page 5 and return the questionnaire in the envelope provided.

3. Please answer the following questions about each retirement plan which is available to tenured faculty through your institution. (Responses should reflect terms and conditions applicable to tenured faculty, where they differ from those affecting other staff. Add additional columns if necessary.)

	Social Security	TIAA/CREF	Other Public, e.g., state (Specify)	Other Private (Specify)	Other Private (Specify)
How many tenured faculty participate in this plan?					
Is participation required? Yes / No					
Is participation in both this plan and Social Security permitted? Yes / No					
Is participation in both this plan and other plans (aside from Social Security) permitted? Yes / No					
What percentage of total contribution for a tenured faculty member does the institution contribute?					
What is the earliest age at which any benefits can be received?					
What percentage of full benefits is available at that time?					
What is the earliest retirement age at which full benefits can be received?					
Can a faculty member receive increased benefits by working beyond that age? Yes / No					
If full benefits are available after a certain age, regardless of work status, what is that age?					

4. Does your institution have a mandatory retirement age (that is, an age at which a faculty member automatically retires unless a special exemption is requested and received)?

_____Yes

_____No (If no, skip to question 9.)

If yes, what is it? _____

5. Can employment of a faculty member be extended beyond the mandatory age?

_____No (If no, skip to question 9.)

_____Yes, but only on a part-time basis

_____Yes, on a full-time basis

_____Yes, on a full- or part-time basis

6.a. What is the maximum age to which an extension is available? _____

b. Is the extension granted automatically on the request of the individual?

_____Yes

_____No

c. Are extensions granted on a year-to-year basis or on a multiple-year basis?

_____Year-to-year

_____Multiple-year

_____Both; depends on the circumstances

7. What factors are considered by the institution in deciding whether to grant an extension? (Check as many as apply.)

_____Institution's specific need for the expertise of the individual

_____Quality of the individual's work

_____Health of the individual

_____Other (please specify)

8. During the last three years, how many tenured faculty members have:

	1976-77	1975-76	1974-75
Reached the mandatory retirement age?			
Requested an extension?			
Received an extension			

9. How many vacancies do you expect among tenured and nontenured faculty this year (September 1, 1977-August 31, 1978), by age category? How many vacancies occurred during the last three years (September 1, 1974-August 31, 1977)? (Include retirements, resignations, deaths, movement to administrative position, etc.)

	Sept. 1, 1977-Aug. 30, 1978 # Expected		1976-1977 # which occurred		1975-1976 # which occurred		1974-1975 # which occurred	
Age	Tenured	Non-Tenured	Tenured	Non-Tenured	Tenured	Non-Tenured	Tenured	Non-Tenured
Under 30								
30-34								
35-39								
40-44								
45-49								
50-54								
55-59								
60-61								
62-63								
64-65								
66-67								
68-69								
70 and above								

Of all vacancies reported above, how many have not or will not be filled, by year in which termination took place?

	1977-1978 (expected)	1976-1977	1975-1976	1974-1975
Not Filled				

10.a. Does your institution offer any inducements for early retirement?

_____Yes

_____No

b. If yes, how many years has this policy been in effect? _____

c. How many tenured faculty have taken advantage of these early retirement options in:

_____1974-75?

_____1975-76?

_____1976-77?

_____1977-78 (expected)?

d. Please describe the inducements that are in effect and how successful they appear to be. Feel free tc use the back of the page and to include any relevant brochures on similar material.

Thank You For Your Cooperation

Name of person completing the form _____

Title: _____

Telephone: _____